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The MANAGEMENT REVIEW

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The MANAGEMENT REVIEW

JUNE, 1937

The Hocus-Pocus of Public Relations

Of all the gods that businessmen are now and then inclined to worship, the strangest and most inexplicable of all is that imperious old idol known as Public Relations. He is so strange that nobody knows just exactly who he is, what he is, or how to talk to him.

He's whimsical, unpredictable, and very often sardonic. Of high priests who are supposed to know how to commune with him there are legion. But to businessmen the mumbo-jumbo of the ritual grows more baffling every year.

The one thing executives do know about this strange fellow is that he ought to be worshipped. But just how, well, take that problem to the temples of the high priest and buy a few sticks of incense to burn at the altar. The public relations problem is just about in that state according to H. A. Batten in Number One Abstract of this issue (page 186). Businessmen can gather for a meeting on management problems and do keen and sharp thinking, but the instant somebody mentions "public relations" they stiffen up as though a ghost had stalked into their midst.

Is there anything so very difficult about hiring a salesman? Not according to Frank Lovejoy of Socony-Vacuum, an

abstract of whose article in a recent issue of *Printers' Ink* appears on page 207. Just pick men who are intelligent, who can smile readily, who like other people. Teach them everything about the product, help them polish off their personalities and they will sell your goods.

One of the persistent thistle weeds that grow in the business garden is the loss from breakage of equipment. It's a thistle because it often pricks the hand of the person who tries to pull it out. A painless method of elimination adopted by a drug company in Seattle is to let employees know the value of various breakable articles, and, then, when one is broken, require the breaker to fill out a memorandum stating what the equipment cost. It works. And the idea might well be adopted in other lines of business.

One of the very important addresses heard at the Annual Meeting of the United States Chamber of Commerce was the one by P. W. Litchfield, President of the Goodyear Tire and Rubber Company, who spoke on the labor problem. Impressed by the logic of the speech we have abstracted it for the month's Current Comment as one of the important and constructive utterances of past weeks.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

Current Comment

A LABOR RELATIONS PROGRAM

FAIR and equitable representation for all component parts of the state is the essence of democracy in government. Carry that fundamental into business and it insures fair consideration for the three basic elements of business—the workers, the stockholders, and the consumers.

With any deviation from such a concept of equity, we find ourselves in the realm of autocracy where a dominating group gains disproportionately through the exploitation of the remaining groups. It would seem to me, therefore, that management should strive for the establishment of a democratic basis of operations. Management's success in this may well determine the future course of our nation, because it does not seem likely that democracy could endure in government should any form of despotism prevail in business.

And so I counsel moderation on the part of labor in its new-found strength, and moderation on the part of capital in the exercise of its property rights.

Peace and progress depend upon those who put service before selfishness. Both employers and employees should realize that service to the public must be the controlling objective of industry.

In the first place there must be an end to direct action and the illegal use of force.

On the other hand, we must recognize labor's right to bargain collectively for satisfactory working conditions and fair rewards for services.

We must recognize and defend also labor's right to strike, although due account should be taken of the rights of others and the interests of the public welfare.

I would like to suggest the basis of what I consider a workable plan to be:

1. *Law and Order.* It is futile to attempt to set up any industrial relations program unless and until all of those concerned—labor, management, the public authorities, and the public itself—respect the law and act accordingly.

2. *Responsibility.* The labor leaders who have accomplished the most for labor in this country have been those who have regarded their engagements with management with the same sense of responsibility that honorable people have towards private contracts.

3. *Understanding.* It is up to labor and management to see to it that the respective contributions of labor and capital and management to a business are understood and recognized. Business cannot exist without labor, labor cannot have jobs without business. It is the duty of management to organize and coordinate the reciprocal services which both capital and labor contribute to business enterprise.

4. *Mediation.* Where thousands of men are engaged in industrial operations, differences of opinion are inevitable. What we need is a disposition on the part of industry and labor to see the other fellow's point of view, to welcome the services of competent, impartial mediators. There is an opportunity here for government to perform an important function in industrial relations. In this sense there is need for an approach to this problem on the part of government in a wholly unbiased frame of mind, with the public interest as the paramount consideration and not the cause of either party to a dispute as the determining factor. I think we have to revise somewhat the traditional governmental attitude and machinery in mediating labor disputes. Mediation, in my judgment, calls for the highest type of unbiased and public-spirited service.

5. *Fact Finding.* People in this country can be trusted to arrive at sound conclusions when they know the facts. In setting up some such plan as we are considering, it must be recognized that mediation and conciliation will not always succeed. There is experience, however, which justifies our belief in the ability of properly constituted authorities to establish the facts concerning a particular controversy. Let us have an arrangement whereby a fact-finding agency may be called into a dispute, be competent to arrive at the facts, be impartial in presenting those facts to the public, and then let us have what I call a cooling-off period, during which the public can make up its mind and the disputing parties can perhaps gain a calmer view of their difficulties.

These simple principles, it seems to me, are thoroughly practicable. I believe that with such a statesman-like approach to industrial relations, much of our difficulty will disappear.

Notwithstanding the difficulties of the times through which we have been passing, I look for good to come out of it all. I think today we are on the way to a clearer understanding than ever before of what is necessary to bring about industrial peace. That desired end, however, will not be achieved unless those who are responsible for the livelihood of thousands of employees are willing to cooperate among ourselves and with the Government first, in devising a workable plan and, second, in putting it into effect.

P. W. LITCHFIELD, President
Goodyear Tire and Rubber Company

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Public Relations

Whenever two or more businessmen are gathered together in these times, you will sooner or later hear the mystic phrase "public relations." A subtle change will immediately come over the group, and a little of the crispness will go out of their speech, a little of the assurance out of their bearing. They will display, in fact, all the bodily and emotional symptoms of a farmer who has just paid two dollars for a bottle of Old Doc Powers' Guaranteed Snake Oil Remedy.

Since the depression, business men look on public relations as a major concern, but they are some sixty years late in deciding that it is worth looking into. Although praiseworthy attempts are being made to make up for lost time, there does not seem to be the slightest understanding of the problem.

Industry has a strong hunch that it is high time something was done, but it hasn't the foggiest notion of what that something is.

The executives can't be blamed. The immediate demands made upon them leave very little time in which to survey and analyze the long-term

trends and influences which ultimately make or break business.

The trouble is that we are too young here in America to know what is happening to us. After the turn of the century the pioneer psychology of the average man underwent a fundamental change. A shadow of fear began to color his existence—the fear which assails a man who finds himself in a strategically unfavorable position from which there is no escape. The labor market had become a buyer's market, and the manufacturer could see no reason for paying any more than he had to. Accordingly he donned his spurs, vaulted lightly into the saddle, and rode hell-bent-for-leather after the elusive dollar, while beneath him the horse was all but falling down from lack of oats.

Just as the breach grew wider between the manufacturer and his employees, an even more serious breach opened between him and his customers. They became only so many units of consumption. To them he became only a label identified with some product. Thus all parties became strangers.

In this situation there was dynamite. In 1929 the jolt came that set

* For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

off the charge—partially. Whether the rest will go off remains to be seen.

The idea now is to get back the lost friendship and confidence of the public. Industrialists are calling for public relations. Some use it to express their own personalities. Others, like the habitual wife beater who puts five dollars in the plate every Sunday morning, employ public relations as a species of conscience fund.

Any public relations worthy of the name must start with the business itself. Unless the business is so organized and so administered that it can meet the test of good citizenship and of usefulness to the community, no amount of public relations will avail.

Three things must be done before industry can be said to have set its house in order: 1. Wages in general must be kept up; 2. Prices in general must be kept down; 3. Management must be able, enlightened, technically expert, and native to the business. By H. A. Batten. *Vital Speeches of the Day*, June 1, 1937, p. 490:7.

Research Makes Jobs

Nobody knows at the beginning what an idea is going to develop into—perhaps it is the nucleus of a far-flung industry which may change the life and habits of millions of people. Sometimes an industry is held back for years because some simple detail is not recognized and given consideration. When this last detail is supplied, the whole thing may jump forward and become an overnight sensation.

Some people think that the main

function of research is to hunt around and find places where machines can displace men. It is only in the last phases of technological development that this question of man-hour economics becomes important. We sometimes forget the other factor, many times more important—the development of jobs and new industries. The fact that about a dozen men are thrown out of work by a new machine should not cause such great concern when we consider that there will be thousands and hundreds of thousands of men who will be employed in the new industries coming out of the program of constructive research work. By C. F. Kettering, Research Director of General Motors. *Review of Reviews*, May, 1937, p. 38:3.

Wages and Prices Fifty Years Ago

In 1879 the Republic Refining Company of Cleveland, later absorbed into the Standard Oil Company, put out a vest pocket book to aid employers in figuring up their payroll requirements. Also, the company took advantage of the opportunity to advertise the use of petroleum lubricants as against fat oils.

In those days, the highest scale of wages paid by contractors and other employers of skilled labor was evidently \$4 for a 10-hour day. For the convenience of paymasters, the booklet showed how to compute pay by hours and days for employees receiving from \$3 up to \$24 for a 60-hour week. The highest hourly rate which entered into an employer's calculations was 40 cents an hour, for skilled

labor. That is considerably less than half the hourly rate paid today in many lines.

Prices of the products were considerably higher than those of today. Cylinder oil was offered at \$1 a gallon, and sells today for 39 cents; engine oil sold for 48 cents, and today sells at 22 cents; kerosene sold at 45

cents a gallon, today it can be had at from 9 to 13 cents.

Testimonials on the products stated: "Petroleum works as well as any lard oil we have used"; "we prefer petroleum to lard oil"; "it is to my way of thinking superior to tallow." *The Lamp*, April, 1937, p. 23:1.

FINANCIAL MANAGEMENT

The Compensation of Executive Officers of Retail Companies, 1928-1935

This study of the compensation of executive officers of individual retail companies is based on data filed with the Federal Trade Commission and the Securities and Exchange Commission, and analyzed by Mr. John Calhoun Baker.

From the statistical material available, it has been possible to trace the course of cash payments to executives from a period of high prices and extreme business activity through a period of low prices and depression to the early years of improving business.

The dollar amounts paid annually to executives varied widely among the 38 retail companies studied. In general, the compensation rates paid by chains were lower than those paid by department stores. In 1934, for example, the highest paid department store executive received \$61,000 while the highest paid chain executive received \$43,000.

A comparison of the compensation of the three highest paid men per com-

pany in the retail field with corresponding data for industrial firms disclosed that, with the exception of the highest paid officers in the large industrial companies, the compensation levels in department store companies appeared to exceed those in industrial firms.

For the years 1928-1934, on the average but 1.0 cents of the consumer's dollar went for executive compensation in department stores and but 0.3 cents in chain stores.

The use of incentive compensation plans in paying executives was common in 1928 and 1929. In 1929, 15 chains and 8 department stores of the 38 firms studied had such plans. Among the chain store firms, bonus payments typically constituted a larger proportion of the total compensation in 1929 than among department store companies.

During the depression years bonus payments were severely cut. Fifteen department store and chain companies having bonus payments amounting to 25 per cent or more of the total executive compensation in 1929, lowered

these payments more than 75 per cent by 1932, the rate of reduction in bonuses being fairly uniform over the years 1930, 1931, and 1932. Total dollar compensation for these firms by 1932 typically was reduced to about 50 per cent of the amount paid in 1929, some reduction being made in salaries in addition to the cuts made in bonus payments.

It is apparent that among firms using bonus plans executive compensation followed changing sales and earnings more closely than it did among firms having no such plans. Whether bonus plans were used or not, salaries ordinarily were subjected to a reduction of between 8 per cent and 12 per cent from 1929 to 1932, the decline usually taking place following 1931.

The dollar sales volumes and dollar earnings of retail companies declined substantially from 1929 to 1932. Department stores, however, suffered greater reductions in income than did chains; many of the latter companies were still opening new stores in 1930 and 1931, and the aggregate sales for old and new units in those years were not far below the aggregate sales of 1929.

On the average, executive compensation in department stores did not decline so sharply as did total earnings prior to executive compensation and interest charges. Hence, for the combined seven-year period, the share of such earnings going to department store executives, 19.9 per cent, was greater than it had been in 1929 when about 12 per cent of earnings was

paid to executives. Chain store companies, on the other hand, throughout the seven years paid but 7.5 per cent of the earnings to executives, 6.2 per cent of earnings having been so used in the single year 1929.

Over the seven-year period, chain companies typically paid their stockholders somewhat less than 50 per cent of their earnings, while department stores paid out somewhat more than 50 per cent of their earnings in dividends. Dividend payments were decreased successively in 1931, 1932, and 1933 by department store companies, total dividend payment in 1933 commonly amounting to less than 30 per cent of the dividends paid in 1929. It is estimated that payments to department store executives at the same time had been reduced to about 70 per cent of the 1929 figure. Chain store companies were able to hold dividend payments fairly constant until 1932, and in 1933 such disbursements still amounted to 63 per cent of the dividend payments in 1929. During the seven years, chains paid out almost six times as much in dividends as in executive compensation, while department stores paid out not quite three times as much to stockholders as to executives.

Department store executives ordinarily owned about twice as much voting stock in their companies as did chain store executives. Examination of compensation and dividend payments, in the light of the extent of stock owned by management, discloses a tendency for dividend payments to amount to a larger percentage of the

earnings in retail companies with little stock owned by management than is the case for firms with large blocks of stock so controlled. No relationship appears to exist between the proportion of stock owned and the percentage of earnings paid to executives, nor was there evidence that large earnings necessarily accompanied extensive stock ownership by management. By John Calhoun Baker. *Business Research Studies, Number 17*. Harvard Graduate School of Business Administration, March, 1937. 34 pages. \$1.00.

Executive Compensation in Investment Companies, 1929-1935

The recently available statistics on corporate executive compensation and methods of paying officers in separate companies, together with other published data on income and operating expenses for the investment companies, constitute factual material which can be examined individually and collectively.

Because of certain limitations, the following conclusions, based on an examination of 36 investment companies, are indicative rather than definitive:

1. From 1929 to 1935 typically about 16 per cent of the total income of the investment companies was spent for operating expenses. The range of this percentage among individual companies was very wide.

2. Differences in practices and policies among investment companies are reflected in wide variations in the percentages of income or assets paid an-

nually by the different companies, both for total expense and for executive compensation.

3. The formal dollar compensation of executive officers of investment companies is substantially below similar payments to officers of industrial and retail companies. As with these other companies, however, payments declined substantially during the depression.

4. Some investment companies had arrangements whereby deferred or additional payments could be made to executives (or sponsoring banking groups) through options or warrants to purchase stock at future dates. Such rights were accorded in lieu of, or in addition to, regular cash compensation. Their value may be great, but it is clearly contingent. By John Calhoun Baker. *Harvard Business Review*, Spring Number, 1937, p. 337:15.

The Nature of Risk Assumption in the Trading on Organized Exchanges

The classical theory of speculation fails to explain many of the phenomena of the trading on organized commodity and security exchanges because it does not take manipulation and trading on price movements into account. These two kinds of trading have come to be important. Taken together, they have made up the bulk of the organized trading. (Probably manipulation in securities has been reduced decidedly by the Securities Exchange Commission.) They differ sharply from the speculation contem-

plated by the classical theory both in their nature and in their effects upon the public.

In contrast to speculation, which tends to stabilize prices, manipulation and trading on price movements tend to unsettle the market and to widen price swings. Speculative profits coincide with public benefits; but in manipulation and trading on price movements profits may be obtained from transactions injurious to the public interest. General recognition of the presence of these two kinds of trading will facilitate their control and thus will help to increase the social usefulness of the organized exchanges. By H. S. Irwin. *The American Economic Review*, June, 1937, p. 267:12.

Credit and Business Stability

In order to keep the high peaks and low valleys of business activities at an even level, a better balance between production and consumption must be maintained. To aid in keeping this balance, we must be able to determine through an intelligent analysis when the saturation point has been reached and to exercise the proper control to avoid excesses. Before the point of saturation is reached, however, we should set in motion the proper forces of control to keep our outlets within bounds.

In order to do this, we must look at the medium through which sales are accelerated—the medium of credit. Merchandise, or commodities, flow from sources to outlets. Each outlet in turn becomes the source for

another outlet, as the finished product of one source is the raw material of its outlets. This flux may be contracted or expanded depending upon the influences which are at work underneath. To control properly the direction of this traffic, we must take cognizance of definite facts if we are to avoid any merchandise glut. This can be done by studying the underlying causes which are reflected by the trends as indicated by profit and loss statements, etc.

To this end, major consideration must be given to the general credit strength of a trade or industry. One of the prime considerations in measuring a credit risk is the proper analysis of balance sheets.

The credit standing of outlets is often undermined by excessive production of their sources. Therefore, through the proper control of inventories by the sources, their outlets are maintained in a healthy credit condition, and over a long period such credit standings become a better measuring rod for evaluating demand. By Charles Weisberg, Credit Manager, Henry Rosenzweig & Co., New York. *Credit and Financial Management*, May, 1937, p. 6:4.

How Taxes Vary From State to State

A good state in which to live may be a bad state in which to die. Climate, accessibility and opportunity are no longer the leading answers to the question "where to live?" Taxation today is a key factor injected by a multiplicity of local tax laws. To the

high Federal impositions have been added state income, estate and inheritance taxes until the tax-bewildered citizen seeks "a way out."

State income taxes are all of recent origin. In some cases they supplant the former intangible personal property taxes; in other cases they merely supplement them. An intangible personal property tax is not on income, but on the principal amount of securities. The Pennsylvania 5 mills tax and the Maryland $4\frac{1}{2}$ mills tax are examples. Variations in rates in the different counties of each state, however, preclude a thoroughly accurate comparison of taxes with the exception of income.

Residents of New York State pay rather handsomely for the privilege of making a good living within its boundaries, but they can die there without too heavy a penalty.

Florida has no state income tax, and in effect no death tax, because all it levies on estates is just enough to entitle it to its maximum share of the Federal impost without increasing the taxpayer's burden. By J. Blake Lowe and John D. Wright. *Barron's*, June 7, 1937, p. 6:1.

Inflation Dangers

In the period of 1922-29 expansion of credit in this country was principally in the form of loans. Since the spring of 1933 the principal expansion has been in the form of purchases of government securities by banks. The federal Government's deficit financing thus has added many billions of dollars in bank deposits. These consti-

tute a potentially dangerous store of "inflationary dynamite." Bank assets now consist largely of government bonds. Because of the effect of changes in interest rates upon the market value of bonds, a highly speculative element has been introduced into bank management.

The "velocity" side of credit expansion is likewise important. The relatively slow current turnover of bank deposits is one of the principal reasons why the material increase in volume of both bank assets and bank deposits of the past four years has not produced the inflationary effect which many observers anticipated. While the volume of bank credit can be influenced to some extent by the open market operations of the Federal Reserve System, by the sterilization of gold imports, and by the Treasury's fiscal policy, velocity remains stubbornly in the domain of psychology.

Even though it is possible in a measure to keep interest rates within a certain area, this type of control has its price. The maintenance of artificially low interest rates implies the maintenance also of an "oversized" credit base which in turn may facilitate excessive credit expansion when and as popular psychology is propitious to such a development. By George V. McLaughlin. *Nation's Business*, June, 1937, p. 63:2.

Expense Control for Automobile Parts

While there have been few companies utilizing a common policy on expense control for automobiles, there

has been a noticeable trend in the last few years toward a standardization not only of policies but also of forms utilized in recording this expense.

As to the question of company-owned versus salesman-owned cars, an analysis shows that the bulk of salesman-ownership is among the smaller fleets of approximately fifty cars or less.

On the basis of cost per mile, the balance is in favor of company-owned cars. There are in operation today a few sizable fleets under the system of salesman-owned cars, but it is not surprising that their operating costs, where they are worked out on a scientific basis, are slightly higher than the cost of fleets of company-owned cars.

It is evident that operating costs

of automobiles will rise during coming years, and with this increase in costs and a continual growth of companies utilizing fleet equipment some collective effort should be made to standardize the accumulation of cost figures.

It appears strange that at the present time it is difficult to state definitely an average cost per mile which can be generally used. The reason is that few companies figure expenses on a comparable basis.

As to replacement, it has been found that there is a general tendency to trade in cars at the end of two years, or when the car has run about 35,000 miles. By Robert K. Chambers. *N. A. C. A. Bulletin*, May 15, 1937, p. 1007:21.

INSURANCE

Insurance abstracts are contributed by P. D. Betterley, Insurance Consultant, Assistant Treasurer, Graton & Knight Company.

Is Fire Knocking at Your Door?

A most interesting article by Percy Bugbee, Assistant Managing Director of the National Fire Protection Association, points out the dire misfortune which may come to those who ignore the possibilities of fire. Many illustrations are given including:

A large factory of the usual brick semi-mill construction was destroyed because of an improperly constructed heating duct under a floor; no sprinklers had been installed because it was considered that nothing was present under the floor to cause a fire. Much of the loss was indirect, due to cur-

tailment of production of some new models of products, work on which was to start a week or two after the time of fire.

Another example, is that of a steel plant fire which occurred in a building probably considered reasonably safe from fire hazards. The loss was not confined to the \$500,000 destruction of property, but it threw 400 men out of work, and plans were in the making to add 200 more men the week following the fire in order to meet the requirements of increased business. What was the aggregate loss for this concern?

The cases cited are not unusual or isolated. During the past five years alone there have been in the United States 172 fires involving a loss of more than a quarter of a million dollars each. A great deal more needs to be done in the way of building, planning and prevention, if such fires with their tragic trail of loss of employment, loss of production, loss of goodwill, and many times permanent destruction of a going business, are to be eliminated. *Journal of American Insurance*, May, 1937, p. 21:3

Editor's Note: This article and others in this issue should cause every property owner and manager of business to pause and think. Is it not rather inconsistent for men to spend a long period of time, perhaps during an entire generation, to build up a property or business, and then by contributory carelessness lose the values and advantages which the energetic and thrifty efforts had accomplished?

New Emphasis on Value of Use and Occupancy Insurance

Everything may stop—except a plant's earnings, is the title of an article by Frank L. Erion, Adjuster, of Chicago. He makes the observation that aside from protection for loss of direct continuing expenses and loss of profit, use and occupancy insurance sustains the credit position of the insured's firm, obviates the necessity of depleting working capital, serves to hold the organization together, and increases confidence in the management, tending to make its tenure permanent.

Manufacturers having several plants are inclined to feel they do not need use and occupancy insurance, but usually the increased cost of production is sufficiently great to make it advisable. Another mistaken idea is that when no net profit is being earned, there is no need for use and occupancy insurance, for some overhead expenses are being earned and business interruption insurance would take care of these. *The Insurance Post*, April, 1937, p. 12:2.

The Fire Hazard

Hazards are the raw material of the insurance business. The changes in aggregate losses might be explained in some measure by shifts in the amount of property exposed, but the variations in the burning ratio are indicative of changes in hazards.

Insurance men are particularly interested in long-term results. They know that low losses often reflect temporary conditions. It has been stated that the fire loss in Cincinnati during the recent flood equalled its total loss for the preceding five years.

It is not often realized to how great an extent the fire hazard is related to other hazards. By Ralph H. Blanchard. *Journal of American Insurance*, April, 1937, p. 13:3.

Editor's Note: It will be interesting to the reader to combine this article with the one preceding under the heading "New Emphasis on Value of Use and Occupancy Insurance," when endeavoring to analyze the hazards in connection with his business. Not only are there a combination of

causes, but many multiple loss results. Two interesting cases recently came to our attention, wherein the manufacturers must rely upon an occasional market for their raw material. Assuming that the raw material is destroyed in a fire and it will be six months before a new supply can be obtained—a loss resulting from the destruction of the stock is far in excess of the current value of the property destroyed.

Compulsory Compensation Cover Upheld

Compensation insurance companies and employers were startled by a decision of the Circuit Court in Wisconsin, wherein the Montello Granite Company was held liable to awards exceeding \$20,000 on two employees stricken with silicosis.

Rates for silicosis have been so high

that attempts have been made to avoid the application of the law by an individual contract system, but the Court held that the compensation act was compulsory, instead of optional.

The former state compensation act permitted employees or workers to exempt themselves from the law, but the 1931 legislature made the act compulsory. This decision is the first expression on the constitutionality of the six-year old act, and the Court is quoted as saying:

"Unless the cost (of social wreckage) can be avoided by the installation of safeguards to stop the inroads of the disease or, at least, unless the manufacturer is forced to pay for the human consequences of his output, he ought to close shop." *The Weekly Underwriter*, May 8, 1937, p. 1070:1.

OFFICE MANAGEMENT

Simplified Filing

A system which calls for the sorting and accumulating of bills of lading with bulk filing once a month, has been installed at the Boston mail-order branch of Sears, Roebuck and Company. This new system has been substituted for a method of filing which called for interweaving the bills of lading into a 3-month file cycle, after which the file was started anew. Whereas the old method required two girls working practically full time—about \$5,000 for a 3-year period, one

clerk is reported to be doing the job now in about three hours a day, or at a cost of about \$1,100 for a 3-year period as against \$5,000.

In this particular Sears, Roebuck department, there is no order file and no correspondence file. Frequently a customer fills out one of the mail-order catalog blanks and sends it in together with a letter asking questions which the company must answer. When this is done the carbon copy of the dictated reply, the customer's original letter and order, and such pack-

ing instructions as were made out, are all enclosed in an envelope and put in the package going to the customer. The only record of the transaction kept by the company is the bill of lading which is filed.

Now this bill of lading, instead of going into an ordinary file, merely is sorted into a Sorter Graf and accumulated for a whole month. Then the entire month's volume is bulk-filed in a matter of minutes, and the sorting is begun afresh for another month. *American Business*, June, 1937, p. 61:1.

Desirable Clerks Getting Scarce

The general market index of the average number of position seekers available during March, 1937, for each single opening, was 21.6. Under these circumstances, the need for production speed and mental concentration on the part of the workers has largely disappeared. On the whole it has brought about a complacent feeling that all is well in the office; but a rude awakening is in prospect as business begins to expand, and additional personnel must be added and trained and salaries must be increased.

The proposed changes for replacing the measures which have been taken as temporary expedients should be made according to a definite schedule. This presupposes an intimate knowledge of conditions as they exist in the particular office. To correctly plan the program, a general outline of procedure should be made as a result of the information obtained in the office study, and from this general outline a

specific week-to-week or month-to-month program should be prepared as the reorganization work progresses. By H. C. Pennicke. *The Office*, May, 1937, p. 12:4.

Stopping a Loss Leak

It is the experience of the Guy Drug Stores, Seattle, that carelessness in handling equipment may be "painlessly" weeded out of an organization by applying a system to this thistle problem of many a business. The management issues an equipment book which states the price of each piece of equipment used in food service at the fountains. Whenever a breakage occurs, the employee is required to turn in a memorandum which tabulates the name of the article which has been broken, the amount of the damage according to the figures in the equipment book and her signature. While the cost is not charged against the employee, this procedure *does* impress the employee with the cost of the equipment and with the fact that her particular breakage record is on file. *American Business*, June, 1937, p. 63:1.

What Is Expected of an Office Manager

Mr. Stowell gives his requirements for an ideal office manager; however, he believes that it is impossible to find all such features in any one person. Among the qualities which such an individual should possess are: The ability to get things done on time, without fuss, and with a minimum need for instruction and explanation;

the capacity for keeping the office neat and orderly; a keen eye for office equipment; a sense of diplomacy; an enthusiasm for training personnel; and the ability to know what work is important and what is not.

The job of the office manager is in a state of evolution and that means that office managers must constantly study to keep themselves up-to-date with modern requirements of the job. They can do this by reading the best material that is written on the subject, requesting suggestions from their personnel, and exchanging ideas with other men of their rank. Office managers must be constant students of their jobs. By L. C. Stowell. *The Office*, June, 1937, p. 12:5.

Keeping Check on 51,400 Job Seekers

The thorough and efficient system of classifying applicants which the Ontario Employment Service now uses enables the agency to meet the demands of employers immediately.

Information regarding the type of work an incoming applicant can do and any remarks which the registrar wishes to make concerning him are put on a form, of which 3 duplicates are made. One of these cards goes in the master file. The second goes into the main file and must be renewed every two weeks. If this renewal is neglected, the registration is placed in a dead file right alongside the active main file until the applicant comes again. The third duplicate is used for classifying the kind of labor a man can do. This information is

obtained through an interview with the head of the division in which the applicant's work is classified. These classification cards are also kept under the same double system of live and dead registrations which is used in the main file.

The Handicap Division and some other interesting services of the agency are also outlined in this article. By J. Fred Marsh. *Office Management*, April, 1937, p. 7:4.

Three Ways to Encourage Punctuality

Fining late workers, and other negative methods of regulating attendance often produce disgruntled employees. Singling out an employee who is never late for special congratulations, organizing employees by departments to vie with each other in attendance records, and good-humoredly distinguishing the chronic late-comer with some token of his short-coming are suggested as better ways of getting the employee in on time. *American Business*, May, 1937, p. 17:1.

Waste Control

Perhaps the most important requisite in the elimination of waste is that the administrative officer or supervisor become waste conscious. He should constantly question the usefulness of an operation; and if the action is justified, he should determine whether a simpler method could be adopted. He should be informed at all times concerning the cost of each operation, and should possess foresight for developing new and improved methods and putting them

into effect, thus making worthwhile economies in space, employees' time and cost of equipment and materials.

The supervisor is the key to the situation, and his attitude is disseminated among his employees. Employees must

be educated to think in terms of cost and in terms of a large organization. Small individual losses become great when multiplied by a large number of employees. *The Office*, April, 1937, p. 9:2.

Personnel

A Controller's Interest in Personnel Problems

A leading controller, Mr. C. S. Carroll of Conrad and Company, believes that the prospective employee has the right to know exactly what the type of position is for which he is apparently going to be a successful applicant and whether the position will be permanent or temporary.

With regard to the question of the employee's right in the matter of being notified in advance of discharge, Mr. Carroll is of the opinion that any employee who is regular has a right to be told what his progress or lack of progress is.

Mr. Carroll is interested only in the human side of employee relations and dislikes rating standards that become mechanical. He thinks that an employee should be given the opportunity to represent himself before the rating committee and not be requested to have others speak for him. *The Balance Sheet*, February, 1937, p. 7:1.

How Swift Develops Executives by Promotion from the Ranks

Among the 500 top executives who now guide and control the destinies of the many Swift Departments, 78.8

per cent began at the foot of the ladder, either as hourly-paid workmen in the plant or as messenger boys or office boys, 17.4 per cent began in slightly higher positions, and only 3.8 per cent obtained their training outside of the Swift organization. The initiative of young Swift employees is encouraged, they are fairly compensated and they are assured of security in old age.

The executives of this successful meat-packing business pay close attention to the progress of employees under their jurisdiction. The man who is specially watched may be given the hardest test of all. Before advancement comes, Swift wants to know if the man "can take it." Almost all of those who are at the top advanced during the first half of their service record by the seemingly slow stages that so many young men today find irksome. By Lester B. Colby. *Sales Management*, May 1, 1937, p. 894:3.

Attracting and Holding Desirable Employees

By changing its viewpoint, Universal Foundry Company worked out of a very unsatisfactory employment situation, reduced accidents, and improved

the caliber and morale of employees.

"We discovered," Mr. Ziebell says, "that the thing for us to do was to pay more attention to working conditions—in other words, to think of the individual employee in terms of his safety, his health, his training, and his interest in recreational activities." By A. C. Ziebell, President, Universal Foundry Company, Oshkosh, Wisconsin. *Executives Service Bulletin*, March, 1937, p. 5:2.

Recruiting Personnel for Industry

This article describes the services of the State and Federal system of Public Employment offices, which is now in operation in the State of Massachusetts. These offices are specifically set up to meet the problem of bringing together workers and employers. The facilities of this statewide network are available to all employers without charge. By George E. Shrigley. *Industry*, April, 1937, p. 14:1.

Selecting Junior Executives

The proper selection of a junior executive is an important matter and must follow a well-thought-out plan. At the colleges and schools, the dean or principal is requested to recommend a certain number who he thinks would fill the position. From these young men, the personnel manager makes a selection. Those who meet the requirements according to a preliminary questioning are sent on to the employment office for an interview.

Before being taken on the staff, the young man should give a full re-

port of his studies and experience. Health, knowledge of the English language, and a successful background are very important factors in the selection.

When a young man has been chosen for the position, he is acquainted with the policies, rules, history, and discipline of the company and a definite system of training is laid out. A written agreement is drawn up and the applicant is then ready to assume his new position. By Gordon C. Keith. *Manufacturing and Industrial Engineering*, February, 1937, p. 7:3.

Grievances—Their Ascertainment and Alleviation

The causes of discontent among the workers of a business organization or factory can be discovered and alleviated by means of confidential interviews with the employees.

The staff should be left absolutely free to come or not, as it wishes. The interviewer should be a good listener and should be a stranger to his subject. It is best that the person who is interviewed also, is not known to his investigator.

The topics raised at such meetings vary greatly according to the nature of the organization in which they are conducted. Among those described during these interviews are: overtime without motive, unfairness and discrimination between workers, lack of encouragement, lighting and ventilating conditions, excessive discipline, cloak room and lavatory conditions, etc.

After the interview, the grievances

are rectified if they can be. If a grievance cannot be remedied or if it is unjustified, the reason should be explained to the staff.

The results of such interviews have generally a considerable influence in showing the management the point of view of the staff—an understanding valuable alike to management and staff. By Winifred Raphael. *The Human Factor*, March, 1937, p. 91:6.

Health and Absenteeism

To the question "Can a medical officer attain the maximum reduction in absenteeism without medical supervision extending beyond the factory walls?" the medical officer of Carreras, Ltd., answers an emphatic "No."

The distance which an employee has to travel to get to work, whether he eats his breakfast or not, whether he stands or sits on the train, the amount of work he does at home, under what conditions he sleeps are just a few of the things which transpire outside of the factory that affect his health. By T. O. Garland. *Labour Management*, February, 1937, p. 8:4.

The Future of Industrial Psychology

The author outlines industrial problems to the solution of which the methods and principles of psychology are applicable, but are not being used. Leaders of thought and action seem to be oblivious to the fact that research techniques, means of gathering data, procedures of sampling, and statistical controls—commonplaces of psychological inquiry—are relevant to the issues

described. The author suggests that this is because psychologists themselves have remained unaware of the pertinence of their discipline.

"The broader psychological problems," he says, "peculiar to an industrial civilization have perhaps seemed so complicated that few psychologists have addressed themselves wholeheartedly to their solution." The future value of the science of industrial psychology, he concludes, will be proportional to the readiness of psychologists to interest themselves in problems of serious concern to an industrial society. By Walter V. Bingham. *Journal of Consulting Psychology*, January-February, 1937, p. 9:3.

Making Figures Build Good Will

One of the most potent factors in making or breaking the good will of stockholders and employees is the published annual company report. Although practically every concern pays out far more in wages than it earns in profits, a report which starts off with information as to the amount of wages paid by the company is rarely heard of. Formerly, only security holders were interested and it was entirely proper to mention profits first; however, at the present time, workers, the public, and various branches of government are equally interested.

Thus, if wages are the biggest item on a report, they should be mentioned first. If taxes exceed earnings, they should be put before profits on the statement. This data should be followed with all of the other corporate

expenditures and activities—finally profits can be mentioned.

If this method of drawing up an annual report is used, the company will benefit in the long run by gaining the good will of employees as well as stockholders. By Paul W. Kunning. *Commerce*, May, 1937, p. 21:3.

Smoking Periods for Girl Employees

A millinery factory in New Zealand counts among its personnel practices a profit-sharing scheme under which a sum equal to 10 per cent of the net profits is distributed among the employees on the basis of wages earned during the previous 12 months.

Some time ago radio loud speakers were installed throughout workrooms and music is played for two hours a day. Music for longer periods would be provided if the employees desired it, but apparently they believe four half-hour spells are sufficient, and the wishes of those who do not like radio also have to be considered.

The latest innovation is smoking periods in the morning and afternoon

for the 300 employees, who are mostly girls. The management was surprised to find what a large percentage of the girls took advantage of this privilege. About 240 of the girls regularly smoke a cigarette, and they are most appreciative of the action of the proprietors in permitting smoking in the factory. Correspondence Section, *The Human Factor*, May, 1937, p. 190:1.

Developing Employee Interest and Good Will Through the Company House Organ

To develop interest and good will among its employees, and to knit them into a loyal group well disposed towards the management, United Parcel Service leans heavily upon its employee magazine, *The Big Idea*. Mr. Barnes describes here the aims and ideals of this paper as well as the practices followed in editing and publishing it. Of unusual interest are the methods used in obtaining material for publication and in developing reader interest. By Bert E. Barnes, Director of Public Relations, United Parcel Service, New York, N. Y. *Executives Service Bulletin*, March, 1937, p. 7:2.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

How to Use a Wage Incentive System

The intensity of work with the help of machines is to a great extent dependent upon the willingness and ability of the worker, whereas the speed of performance of the purely

manual work is entirely determined by these two factors. Endeavors to attune labor's ideas of output to those of capital have made difficulties and will continue to do so unless management learns to measure such work in a satisfactory manner.

Since the duration of working hours is defined by law, time studies are used to compress as much work as possible into each hour; however, they are frequently not properly prepared and executed and do not attain the result expected. Time studies, when executed efficiently, should take into consideration the equipment, such as machinery, tools and fixtures, and its adaptability to the work in hand; the working conditions, lighting, heating, ventilation and general environment; the adequacy of raw material supply and of the removal of finished parts; the material to be worked; and lastly the working methods.

There are three principal incentive methods of paying wages. The first is to pay for the time spent at work; the second for the number of units completed, and the third is a combination of these two. In addition a reward or bonus is sometimes paid where savings in materials are effected. By K. Italiener. *Industry Illustrated*, March, 1937, p. 23:2.

Pin Boards

Staff managers responsible for large numbers of employees who are not paid on a rigid wage-scale spend much of their time correlating the wages paid in different departments.

A device to help them out is illustrated in this article. On a cork-faced board, rather larger than a chess board, squares are shaded to represent the diagonal ladder of normal advancement, the abscissa being the "wages paid" and the ordinate the age of the employee. Pins with colored glass

heads represent each employee, the color indicating the section of the firm in which he works, while a tiny paper pennant bears his name. It will be clear that those who are behind or in front of normal advancement show up at once, and their cases are constantly under review.

Further details of the plan are given. By F. W. Lawe and M. D. Rhoden. *Labour Management*, February, 1937, p. 5:2.

Prevailing Policy in Payment for Overtime Work

In most companies, hourly rate workers are paid a higher scale for overtime work. Piece workers and workers under incentive plans are sometimes not paid at an increased rate for overtime, but most companies either increase equally both time and incentive rates for overtime, or other adjustment is made. Office workers are usually not paid for overtime, but it is customary to pay for an employee's supper if he stays a sufficiently long period. A few companies pay for overtime work in the office. By Harold F. Browne. *Conference Board Service Letter*, March 31, 1937, p. 33:4.

What of the Speed-Up?

The demand that the speed of the assembly conveyors be set by collective bargaining is fundamental to the conduct of the whole automobile industry as at present organized. In this line of production, conveyor speed affects men elsewhere in the same plants and men in other plants; it affects also trans-

portation methods and timing. For this reason, adjusting conveyor speed to suit the notions of a union bargaining committee would be a complicated question.

Every practical and humane consideration is against speeding up a production line to the point where the strain on the men makes human failure a threat. Automobiles have to be sold to a critical public, and overworked operators cannot be counted on to turn out a perfect product.

If the management has allowed speed to get too high for some of the men working on the conveyor, these operators should certainly protest, and their complaints should be given immediate consideration. If the speed must be held to keep the production machine in balance, more men can be added to the line at the spots where the situation is critical until the load on each one is not more than it should be. By K. H. Condit. *Factory Management and Maintenance*, March, 1937, p. 34:2.

Playing Safe at Bethlehem Plants

Here are some of the ways the Bethlehem Steel Co. plays safe in its plants:

Doorways that are adjacent to tracks or roadways are equipped with "cat tails" to remind one of possible danger from approaching yard engines or other equipment.

Wristlets and attached wire cords are worn by the operators of punch press machines. Should the operator negligently leave his hand in the path

of a descending punch the cord would become taut, jerking the hand away from the danger zone.

Operators of pipe welding furnaces wear "heat masks" constructed of fine-mesh wire screening. The fine screening checks the heat by absorbing it, making the work more comfortable and also safer.

Wheel barrows are persuaded not to skid by means of a rubber tire which takes the jolts and prevents the wheel slipping sideways when passing over tracks or other obstructions.

Each device is shown in an illustration. *The Iron Age*, April 1, 1937, p. 43:1.

Incentives and Their Place

Along with a knowledge that wages are not a slice of extravagant profits got from the employer through charity or duress, but a part of the cost of production, the working man has learned that if industry must reduce wages in a time of low profits, it can equally increase them as profits increase.

There has also come a greater willingness to consider wages which are related to amount of work produced, if such a plan is accompanied by certain safeguards: The system must be understandable, the result must be demonstrable in advance if necessary, and provision must be made for alteration if the scheme is unsatisfactory to either side. Above all else, there must be the attitude of confidence that the management will be just and fair in all its dealings and that the workers will always give a fair day's work for fair pay.

Piece rates in the future will be recognized as matters of mutual concern. The workers will want to have a hand in setting them. Two ways of accomplishing this have already been tried: One is to have time studies taken by specially selected and trained employees; the second is to submit the results of the studies expressed in a rate to worker representatives for their approval.

Where piece rates are not paid, a fair-minded management will endeavor to grade payment according to skill required, responsibility involved, or energy given.

Incentives other than financial will come to be recognized more and more. "Ideals which envisage a more cooperative industrial relationship are themselves incentives. To convert these into policies, to shape them into methods and practices, and to win management and men to their support will be the major part of the task of labor managers during the next decade or so." By Dr. C. H. Northcott, Rowntree & Co., Ltd. *Labor Management*, February, 1937, p. 6:2.

Job Inspection on Bonus

With mass production inspection one must set up definite quality standards, then develop and teach the "one best method," and finally establish a routine for a check or percentage re-inspection.

Quality standards are best guaranteed through the use of the sample board on which good samples are mounted and labeled. With quality and methods standardized, any good

wage payment plan for mass production inspection may be used.

About half the work at the Butler plant of the American Hard Rubber Company is of the above type. The other half is of the job shop type covering 30,000 different articles.

Since the job shop inspector contributes physically in terms of quantity and mentally in terms of an intangible thing called judgment, it was concluded that a wage plan should be one-half production measurement and one-half judgment measurement. Production measurement was obtained by building up time standards synthetically from tables of standard data. Time studies on 30,000 articles would have been very costly.

All this was routine. But judgment measurement was a challenge. We certainly wanted a numerical method to avoid personal prejudice. We finally concluded that in measuring the value of the individual's judgment, two factors were important—type of work and type of worker. Six grades were established for the type of work and numerical values were assigned to each. The type of worker was expressed in five degrees and numerical values were assigned to these also. Each inspector's job is analyzed and her points under both classifications totaled to get her rating.

Operation of the plan is similar to measured day work. At the beginning of each 3-month period, every inspector is carefully rated, and a list is published of inspection classes, A, B, C, and so forth. Each inspector is told that during this period her pro-

duction will be measured and her unit ratings posted daily. At the end of the period daily unit ratings are averaged. This average determines her new premium rate for the next three months' period. That is, during one period she determines her hourly rate for the next period. By William R. Mullee. *Factory Management and Maintenance*, May, 1937, p. 58:2.

With Never a Post Mortem

Gear manufacture with the Foote Bros. Gear & Machine Corporation of Chicago is a special order business in which accurate estimates and bids are the foundation of profits. The firm has a plan which enables it the year round to keep actual labor costs within a per cent or two of estimates by bringing any variation to the immediate attention of the factory manager.

The plan provides real cost control, not just a post mortem. Within an hour of the completion of an operation, or of the first batch of a large lot, the foreman is notified of any variation and can often stop what might otherwise run into a large loss.

When an estimate is requested by a customer, the job is analyzed on a form. On this form, the estimator enters the allowed time for set-up and performance of each operation. These times are extended to give labor costs. To these costs the necessary percentages for overhead, profit, etc., are added.

If the bid is accepted, the estimate is drawn from the files and a "roughing sheet" is prepared. This shows

virtually the same detail of allowed set-up and unit operating time as the estimate. A hectographed master copy is typewritten from this master copy. It is reproduced in sufficient numbers to supply each department concerned with a copy.

The original is folded and filed by the production clerk in a standard visible card file. When the job is started through the shop, a copy of the order travels with the materials to completion.

When an individual operator is ready to start a job, he steps to a dialing station in his department and signals the production clerk, thus putting him in communication with all departments. It is operated like an automatic or dialing phone. The dialed information appears on a register on a central board.

Having signaled the production clerk, the workman dials his own number, the number of the job just completed and quantity made, the number of the job on which he is starting, and the number of his machine or production center.

The production clerk receiving this dialed information copies the job number and man's number on a blank time card from the register before him. He stamps the starting time. For the old job he gets out the corresponding time card, stamps the finishing time, and enters the quantity completed. Between calls, the production clerk has time to turn to his visible file of jobs in work. For the job just completed he enters on the time card the allowed time for the number of pieces

finished. He compares this with the actual time. If there is a substantial unfavorable difference, he gets out of his files an extra copy of the production order and notes on this a report of the variations. This report goes at once to the factory manager, after which it is sent to the foreman involved, making possible the immediate control which is so valuable a feature of the plan.

The heart of the production control is a daily meeting of the factory manager, production men, and foremen in the production office. All the records are at hand. Each foreman

comes with his copy of the latest schedule sheet, ready to cross off operations finished, and to mark new dates and delivery promises.

At a fixed time daily the executives of the company hold a meeting where there is a check-up of every job calling for special delivery requirements. Stock is taken of inquiries unanswered in the sales or engineering department and of complaints over two days old. Everybody goes back to his own job with a picture of the general situation and of particular trouble points. By W. A. Barr. *Factory Management and Maintenance*, May, 1937, p. 45:3.

MARKETING MANAGEMENT

10 Contests for Salesmen

Through depression and boom conditions the sales contest remains an effective method of stimulating salesmen. Yet, like all stimulants, it must be used wisely and moderately.

Too frequent employment of contests defeats the purpose of the idea. A contest is a special event. It should be treated that way. If, on the other hand, the sales force finds itself drifting from one contest into another, it eventually becomes immune to the effects of the stimulant, and the purpose of the contest is defeated. Nor is the contest necessary or desirable for many types of salesmen and many companies.

The sales contest is undeniably a stimulant of great value for a number of organizations, particularly those that pay their salesmen almost entirely

on commission or whose products and set-up lend themselves to special drives.

This study describes 10 contests in detail. Included are contests used by Underwood Elliott Fisher Company, General Electric Company, The Todd Company, E. I. du Pont de Nemours & Company, Inc., Incandescent Lamp Department of General Electric Company, National Cash Register Company, Quimby Pump Company, Mitchell Brothers, Inc., Apex Rotarex Corporation. *Printers' Ink Monthly*, June, 1937, p. 17:20.

Advance Route Lists

Salesmen for the W. A. Sheaffer Pen Company, Fort Madison, Iowa, send in route schedules in advance of proposed trips. This is done to enable clerks at the home office to check over

accounts in the towns covered by the route list, to ascertain whether any require special attention.

While salesmen do not, as a rule, handle collections, their route lists are checked against accounts receivable each time a new list is submitted. Where an account obviously is in need of special handling from a collection angle, the salesman is notified and instructed how to handle it. *American Business*, June, 1937, p. 62:1.

In Hiring a Salesman

When a prospective salesman is interviewed at Socony-Vacuum, the man who does the hiring takes notice of 5 essential characteristics in the applicant. He asks himself these questions in connection with the man who is being considered for the position: How is his health? Is he interested in people? Has he intelligence? Can he smile? Can he sell?

Selling is 50 per cent the salesman's personality and 50 per cent his knowledge of his goods and his trade. If a man has the proper qualifications, he can be trained as a salesman by being taught how to improve his personality and by learning everything about his goods and his trade that he needs to know. By Frank W. Lovejoy. *Printers' Ink*, June 10, 1937, p. 37:3.

Is the R-P Act Operating to the Advantage of Private Rather Than National Brands?

Mr. A. Krasne, head of the A. Krasne & Co., largest wholesale grocers in the New York area, makes

some startling predictions as to what will happen to nationally advertised food products as a result of the Robinson-Patman Act. This article also gives the opinions of wholesale grocers in other cities on the effects of the Robinson-Patman Act on profit margins, on national versus private brands, and on the condition of the small dealers. *Sales Management*, June 1, 1937, p. 1058:5.

Letterhead as a Sales Builder

Mr. Egner made a study of 100 letterheads which he received during 1936 and the latter part of 1935 and combined the information which he obtained from this survey with the facts compiled in an analysis made in November, 1929, by *Printers' Ink*. The details of the two tabulations appear in this article and conclusions are drawn from these data.

The letterhead should be so planned that in giving its necessary information it should be a sales-producing element of the letter as a whole. Its four main functions are: to attract attention, to arouse desire, to build conviction, and to secure action. By Frank Egner. *Printers' Ink*, June 10, 1937, p. 73:4.

Prices: Fixed or Free?

Two signed articles are presented which debate the consumer question. General Hugh S. Johnson, former Administrator of the National Recovery Act, keynotes with a strophe from the late Judge Gary: "If industry is to survive without confiscation, if the capitalist system is to continue, it has

grown so great that it must subject itself to federal supervision." Mr. Johnson also offers the nation a new long-term policy of supervision of price trends in the public interest.

Paul Hollister, Executive Vice President of R. H. Macy & Co., takes his text from the London *Economist*: "When prices are rising, the time has come for the complete reversal of all restrictive policies. They have outlived the crisis which brought them into being, and if they are maintained they will prejudice economic recovery and popular welfare." He gives warning against current price rigging saying that it won't work because the public hasn't the cash to pay capricious prices fixed above the zone of free and open competition. By General Hugh S. Johnson and Paul Hollister. *Fortune*, June, 1937, p. 111:11.

Census Data Can Yield \$'s

The statistical output of the Census Bureau is so great and covers such a wide range of economic and social subjects that perhaps many

valuable guides for developing new markets or expanding old ones may be overlooked. Among the hundreds of Census reports which are issued, there are a number which, if properly used, can be very profitable to advertising and marketing men. The data on business, manufacturing, agricultural, population, and financial statistics; cotton and oils; and current inquiries present information which is very valuable to people in the merchandising field.

On June 15, merchandising will have available, in a single volume, payrolls and employees for every county in the United States. This report will afford real assistance in the solution of many advertising and distribution problems. It presents an unbiased and official county "yardstick" of purchasing power based on several index factors which may be used separately or combined to meet a wide range of individual needs. By Vergil D. Reed, Assistant Director, Bureau of the Census, Department of Commerce. *Printers' Ink*, June 3, 1937, p. 39:4.

Books Received

INCOME RECEIVED IN THE VARIOUS STATES 1929-1935. By John A. Slaughter. National Industrial Conference Board, New York, 1937. 167 pages. \$3.50. In addition to the total accountable income and the per capita income, this volume shows the relative importance of wages and salaries, entrepreneurial income, dividends, interest, net rents and royalties in the total income of each state; the total income in each of the states derived from each major industry and from government; the industrial origin of salaries and wages and of entrepreneurial income in the various states.

SELECTED TRADE ASSOCIATIONS OF THE UNITED STATES: 1937 EDITION. By L. W. Marceron and C. Judkins. Market Research Series No. 1, United States Department of Commerce. 134 pages. 10 cents. Gives the names and addresses of associations in the United States of national and interstate scope, together with introductory text pointing out the wide scope of their cooperative activities.

THE WORLD CALENDAR. By Elisabeth Achelis. G. P. Putnam's Sons, New York, 1937. 189 pages. \$2.00. An interesting collection of facts about the calendar. The author shows how the calendar has changed continuously since its origin in prehistoric times and believes that it now calls for improvement.

SEVEN KINDS OF INFLATION. By Richard Dana Skinner. McGraw-Hill Book Company, New York, 1937. 273 pages. \$2.50. A study of inflation for the layman. The author has attempted to give a common sense understanding of inflation and a means for detecting its progress.

THE FIXED INVESTMENT TRUST. By Marshall D. Ketchum. The University of Chicago Press, Chicago, 1937. 85 pages. \$1.00. An examination of the investment company with relation to its history, its function, structure, policies, and popularity with investors.

JOB SPECIFICATIONS FOR THE COTTON TEXTILE INDUSTRY. Occupational Research Program Division of Standards and Research of the United States Department of Labor. United States Government Printing Office, Washington, D. C., 1935. 75 cents. A study of the occupations in the cotton textile industry in October of 1934 marked the beginning of the field work of the Occupational Research program. A staff of six men analyzed the jobs in 4 textile mills—2 in North Carolina and 2 in Massachusetts. As a result of this work 71 specifications covering about 81 jobs and 174 titles were prepared and are presented in this volume.

INTERNATIONAL TRADE STATISTICS, 1935. Columbia University Press, New York, 1937. 370 pages. \$2.50. This volume contains statistics of sixty-five countries for the years 1933-1935. It is bilingual and the countries are given in the French alphabetical order.

THE LABOR SUPPLY IN THE UNITED STATES. Prepared by W. S. Woytinsky for the Committee on Social Security of the Social Science Research Council, Washington, D. C., 1936. 129 pages. \$1.50. Occupational statistics of the 1930 Census tabulated by class of work and industry, as well as by sex, race, and age groups. It provides information on the number and characteristics of the gainfully occupied persons affected by the provisions of the Social Security Act.

GENERAL ECONOMICS. By Broadus Mitchell. Henry Holt and Company, New York, 1937. 772 pages. \$3.00. This is an introductory text to the subject of economics, and a revised and enlarged edition of "A Preface of Economics."

MAN IN A CHEMICAL WORLD. By A. Cressy Morrison. Charles Scribner's Sons, New York, 1937. 292 pages. \$3.00. An account of the activities of the chemical industries in converting the discoveries of science into every-day necessities. Its object is to impress on the man in the street that he is utterly dependent upon these industries for his very existence.

INSURANCE AND BANKING—EXAMINATIONS AND ACCOUNTING. By Herbert L. Davis. Christopher Publishing House, Boston, 1937. 227 pages. \$4.50. A study of insurance and banking covering such topics as, banking relations, insurance accounting, amortization of securities, real estate transactions, and related subjects.

UNEMPLOYMENT RELIEF IN PERIODS OF DEPRESSION. By Leah Hannah Feder. Russell Sage Foundation, New York, 1936. 384 pages. \$2.50. A study of measures adopted in certain American cities, 1857-1922. The book covers and records significant experience in previous depressions for its bearing on present and future policies.

PLANNING FOR TAX ECONOMY. By William H. Crow and U. S. Greene. Waldrep-Tilson, Inc., New York, 1936. 619 pages (Appendix 361 pages). \$7.50. Tells how to effect tax savings and covers all federal, state, and local taxes, showing permissible tax-saving procedures. Designed as a ready reference to discuss the approved techniques of effecting tax savings. Comprehensive.

CREDIT MANUAL OF COMMERCIAL LAWS, 1937. National Association of Credit Men, New York, 1936. 572 pages. \$5.00. Sets forth fundamental legal principles and existing statutes for credit and business executives.

COOPERATIVE CONSUMER CREDIT. By N. R. Neifeld. Harper & Brothers, New York, 1936. 223 pages. \$2.50. A study of cooperative methods of supplying small loans to consumers with special attention to the development of credit units in the last quarter century.

YOUR EVERYDAY SPEECH. By William Norwood Brigance. McGraw-Hill Book Company, New York, 1937. 230 pages. \$2.50. Discusses everyday speech, explains what good diction is, analyzes common mistakes of speech and mispronunciations.

Survey of Books for Executives

Facing the Tax Problem: A Survey of Taxation in the United States and a Program for the Future. Twentieth Century Fund, Inc., New York, 1937. 606 pages. \$3.00.

This survey constitutes an excellent grounding in the varied taxing methods in vogue in the United States. Early in the book, the statement is made that "The 'tax system' of the United States is multi-layered, dual-sovereign, and geographically heterogeneous," which fact is amply proven in the subsequent treatment of the source of all governmental revenue and the general picture of the entire problem which is presented.

After reading this book, one can well understand why the average person has such a narrow, vague and inaccurate conception of our tax "system." The reader is forcefully reminded also, that the reason for our present chaos is that not only the average voter but the legislator as well has no comprehension whatsoever of the countless existing ramifications. Even though the authors of these findings feel that, due to insufficient reliable and consistently pre-

pared data upon which to base sound conclusions, the book is not as strongly convincing as they might wish, still it can well be recommended as a textbook for legislators—every legislator should be required to know the facts so forcibly brought out in this volume before accepting office as a representative of the people.

Furthermore, business leaders, who in order to fully understand business must appreciate its relation to the economic and social structure, should seriously study this book in order to know more completely the effects of taxation as they relate to industrial problems.

In the early chapters, one is reminded that "Coordination of federal, state, and local tax systems is . . . still in a rudimentary stage" and as one gathers a better knowledge of how each tax originates, he realizes that this lack of coordination is with us to stay until taxpayers elect officials who have sufficient knowledge and courage to attack the problem at the roots in the light of its effect on the whole, just as a successful business man would tackle a problem af-

fecting the various phases of a "multi-layered" business.

That we have no tax system in the United States (speaking of the country as a whole) but are the victims of a mad scramble between the federal government, forty-eight states, and 175,000 localities, each raising revenue without regard for the others' right in the same field, is the painful impression that the honest student obtains by a review of this volume. We have the most decentralized and disjointed taxing methods of any nation in the western world. Perhaps the cost of collection (a fact not emphasized as much as it should be), together with the cost to the taxpayers of compliance with the tax laws, represents a higher ratio of the cost of government (or national income) than in any other nation; to the extent that this expensive procedure is excessive, it represents sheer economic waste.

Space does not permit reference to all the excellent material contained in this survey. Social control is dealt with extensively—with the conclusion that it should not be the aim of tax legislation when a more effective device for its accomplishment is available. "We warn against the naiveté of those who, not familiar with the difficulties of tax administration, and the political tax difficulties inherent in a democratic and decentralized state, would use the tax system for important and complex social reforms."

Being the composite of a series of studies, facts, conclusions, and recommendations of a committee and con-

sultants (principally Thomas I. Parkinson, Francis Biddle, Robert M. Haig, Peter Molyneaux, Eustace Seligman, and Professors Carl Shoup, Ray Blough and Mabel Newcomer) the findings obviously result in differences of opinion. Consequently, the conclusions sometimes appear strained as a result of an apparent attempt to avoid revealing a lack of unanimity of opinion.

Some of the committee's most important recommendations may be summed up as follows: lowering federal income tax exemptions to \$500 for single individuals and \$1,000 for married couples (compensating the individual somewhat by a reduction of consumer taxes); increase of surtaxes in middle brackets; repeal of the present federal tax on undistributed profits and substitution of some form of an accrual tax on the shareholders (Mr. Biddle dissents and my sympathies are with him); repeal of present corporation income and excess profits taxes and the substitution of a flat tax for a five year period to be followed by a graduated tax based on the return on capital; revision of present social security taxation; elimination of special chain-store taxation; increase in the rate of gift taxes and death taxes; some of which require more consideration than can be set out in a single volume.

Every student of taxation who reads this presentation will profit by so doing, and it is with regret that one realizes that too few of the country's millions of taxpayers, the true victims of the present hodge-podge, are likely

to study it, thereby getting an accurate insight into the duplications and overlapping with which the entire "system" is burdened. Tax authorities may not agree with all the recommendations but all those interested in a more efficient government and a real tax system, will find this book a valuable contribution.

Reviewed by J. W. Oliver.

Leadership in a Free Society. By T. N. Whitehead. Harvard University Press, Cambridge, Massachusetts, 1936. 266 pages. \$3.00.

In this volume Professor Whitehead seeks to answer the question: Can we find any basis for durable human satisfactions in the new type of progressive society which has resulted from the rise of modern technology? He investigates the type of social structure which can maintain itself while adapting its form to the ceaseless advance of material invention.

Three characteristics of civilization appear important to the problem. First we have the technical skills to produce a sufficiency of commodities not only to provide for the physical necessities of every man, woman and child, but also to provide them with a physical environment in which satisfying social relationships might be developed. Secondly, an industrial organization has been developed around these technical skills with little regard for the human satisfaction, and consequently adequate social living has not in fact developed to the degree which is possible, given our skills. The third factor is not that of greater knowledge,

but of the rise of technical procedures for a continuous advance in knowledge, especially in its practical applications. For the first time, the human race has set itself the problem of combining the stability of routine with adaptations to fast and continuous change. The possible extension of civilized living, as we understand it, depends upon the ability of society to maintain a just balance between these two conflicting tendencies. The problem centers itself somewhere in the activities of business and industry.

Professor Whitehead presents this problem in its most fascinating and readable aspects. He has drawn his illustration material from industrial fields; he has sound conclusions, and has written a book that is really a "must" for thoughtful business people.

Money and Banking in the United States. By Louis A. Rufener. Houghton Mifflin Company, New York, 1936. 812 pages. \$3.50.

With the aid of the historical approach, the author of this volume presents a discussion of money and banking designed to answer the questions most likely to be in the minds of millions of American citizens—such questions as: What is the significance of our federal banking and currency legislation of 1933 and 1934? Will it correct the evils against which it is directed, or merely bring new evils upon us? What have been the fundamental defects of our banking and currency system? Why did more than a third of our thirty thousand banks fail in the dozen years following

1920? Why did our banking system collapse utterly in 1933? Why did our Government abandon the gold standard?

The volume presents the answers to these and other questions in a critical discussion of the principles of money and banking in the light of their application in the developing banking and currency system of the United States throughout the country's history.

The reader may be impressed by the fact that the bimetallic controversy has run throughout our history, and did not enter merely, and somewhat surreptitiously, in the Inflation Bill of 1933. More broadly speaking, he may observe that practically all of our banking and currency legislation has grown out of a desire to correct real or imaginary defects in previously existing laws. Most of these laws are not independent acts, but are rather in the nature of amendments to prior acts of Congress.

Sickness and Insurance. By Harry Alvin Millis. The University of Chicago Press, Chicago, 1937. 166 pages. \$2.00.

The committee on the Costs of Medical Care report on morbidity estimates that on any average day in the year 2 per cent of the working population are disabled by illness. On the average, 7 to 9 days per year are lost by male workers, and between 8 and 12 days by females. The Committee estimated that in the prosperous years, 1928-30 the annual wage loss approached one billion dollars a year.

The Committee has estimated the total of medical outlays in the U. S. at approximately \$3,600,000,000 per year. This is about 4 per cent of the national income. The lion's share of this amount, 79 per cent, was paid by the "patients," the remainder by governmental, civic and philanthropic agencies. What fraction of the total represents medical bills paid by wage-earning families is difficult to say, but rough approximation may be made. The Committee on Economic Security accepted a figure of \$900,000,000 lost income by persons with income less than \$2,500.

Not only does illness involve a large direct cost to the wage-earner in loss of income and in medical expense, but it also adds to the employer's costs through unbalanced sections which require substitutions of men on the job, and through increased labor turnover.

Much illness is due to infection and the more or less inevitable wearing-out process. Next to be noted is that the personal factor in sickness is not a small one. Overeating, overdrinking, neglect, and a variety of factors related to personal hygiene are important causes of sickness. A third cause is found in the general social, non-work environment. Here one could mention deficient disease control, bad water, bad milk, bad housing, poor public sanitation, and scores of other things. Finally a whole set of causes is found in industry.

In this interesting volume, the author, who is Professor and Chairman of the Department of Economics

at the University of Chicago, outlines the general problem of sickness and then considers ways of prevention. The second portion of the book is given over to an examination of compulsory health insurance in the United States and abroad and a suggested plan.

Sugar, A Case Study of Government Control. By John E. Dalton. The Macmillan Company New York, 1937. 311 pages. \$3.00.

While controversy has raged over government's ability to plan in whole or in part for industry, a billion dollar industry—sugar—has seen its production, marketing, and price controlled by the Federal government under the Sugar Act of 1934. Today all members of the industry—plantation owners in Puerto Rico, Cuba, Hawaii, and the Philippines, continental beet farmers, cane and beet processors, and refiners—agree that through the direct regulation of the flow of sugar by the quota system the Federal government has solved its economic difficulties. This enormous extension of the Federal power over sugar is not fought, but favored by business.

This book, written by the ex-chief of the Sugar Section of the AAA and a member of the faculty of the Harvard Graduate School of Business Administration, explores the form of the pre-war assistance given to the industry, the origin of the world sugar depression, its adverse effect upon our national sugar industry, the subsequent development and administration

of the control scheme of 1934 and its effects upon producers and consumers. The form that future control of sugar may take is analyzed.

The book is not restricted to sugar, however. In this case study some of the advantages and limitations of rigorous government control for the purpose of assisting any industry are set down in general terms. Both opponents and proponents of government regulation can read it for an understanding of some of the difficulties inherent in extending political powers over economic problems.

Analyses of Business Cycles. By Arthur B. Adams, Ph. D. McGraw-Hill Book Company, New York, 1936. 292 pages. \$3.00.

The author recognizes and discusses at length two types of business cycles: the inflation-deflation cycle and the overinvestment-underconsumption cycle. The inflation cycle is marked by the unwise use of bank credit, and the rapid development of boom conditions because of the use of bank credit. The typical inflation cycle is brought to an end by the exhaustion of bank credit. This type of cycle was predominant in the United States up to 1907 because of the relatively undeveloped condition of the country and a chronic deficiency of capital. Such cycles start with the availability of capital for investment and the opportunities for large profits. These profit opportunities develop from the settlement of new territory, the exploration of natural resources, the development of new industries and the

revolutionary changes in existing industries.

These opportunities for large profit began to disappear in 1907. To Dr. Adams, the industrial future of the United States appears rather drab. Since the disappearance of the geographical frontier, our economic system has grown up to relative maturity and should need only enough new capital to provide for the gradual growth in population. No completely new major industries need be looked for. New industries will grow out of existing industries and improvements of methods and processes will likewise develop in existing industries. New capital will be supplied largely by the accumulated reserves and surpluses of existing corporations. Consequently, there need be less saving for capital investment and there should be a larger share of the money income of the country distributed to the low income groups—a larger part of the income for wages and less for interest dividends and corporation surplus. One wonders whether supposedly "mature" and "finished" industrial systems will not continue to require more new capital, because of obsolescence and development, than did the initial development of new industries in a new country. Evidently Dr. Adams thinks not.

Dr. Adams concludes that we need fear no more inflation booms in this country except as these may be artificially generated by governmental monetary or fiscal policies or by major wars and their profit opportunities.

It is obvious, however, that Dr.

Adams' major interest is in the overinvestment - underconsumption theory of the business cycle. The outward marks of this cycle are slow development of overinvestment in capital goods during a period of prosperity and large profits (without the credit expansion of the inflation type of prosperity and boom) and the equally gradual development of underconsumption of consumer goods. There need be no crisis or crash at the end of this prosperous period. The end comes slowly as a surplus of consumer goods accumulates; then producers of consumer goods contract production and this slowing-up process works back to the manufacturers of producers goods, to capital goods and to raw materials.

Our interest in this simple classification of business cycle types is somewhat clouded by the author's confession that none of the cycles of the past has conformed in every detail to either of these type forms. But inflation-deflation cycles are characteristic of young and developing industrial systems while overinvestment-underconsumption cycles are characteristic of more mature or more fully-developed industrial systems. Before 1907 we had inflation-deflation cycles; since that time our business cycles have taken on more of the characteristics of overinvestment and underconsumption. The 1922-29 period and subsequent depressions, according to the author, was an overinvestment-underconsumption cycle. It does not fit into the inflation-deflation pattern because commercial bank loans increased rela-

tively little during this 1920 prosperity period.

The central assumption, underlying the overinvestment-underconsumption theory, is that the distribution of the total income is too heavily weighted in favor of a few "large income receivers," with the result that the great majority of the people have too little income to purchase the increasing volume of consumers goods. In the earlier stages of such a cycle, there is a surplus of consumer income (from capital goods manufacture) and increasing demand for consumer goods; but as the cycle develops supply of consumer goods increases and finally exceeds the demand, which is determined by the money income (future, in the case of installment buying) received by consumers. According to Dr. Adams, this maldistribution of income during 1922-29 gradually built up a condition of excess plant capacity, excessive inventories of finished goods, reduced incomes of wage-earners, and a gradual and progressive slowing-down of retail buying, production of consumer goods and production of capital goods. To the business man who was in active service in 1929, this is not the picture he remembers. Dr. Adams presents no figures to back up his description of events. We wondered if our still vivid recollections of 1929 were so far from the truth. A brief reference to the statistics of the National Industrial Conference Board showed that the physical volume of consumers goods did not fall below the minimum of 1926, 1927 and 1928 until November 1929; that there was

no serious decline in miscellaneous car loadings until September 1929; that retail sales in department stores reached a peak in September 1929; and finally that the total weekly earnings in 25 manufacturing industries reached an all-time peak in October 1929, at a time when the statistical cost of living was declining.

If consumption of consumers' goods actually increased up to the fall of 1929 and wage payments also increased, one should be permitted to question the validity of this underconsumption theory of the business cycle, particularly if 1929 is its best exhibit.

Following his theory to its logical end, Dr. Adams believes the fluctuations of the future business cycles can be reduced by increased governmental control of industry to force a larger share of the total income to the great majority who work on farms, in factories and in service occupations. Specifically, he would have the government: prevent those in control of corporations having any special privilege; eliminate protective tariffs; continue plans to increase agriculture's share of the total income; keep low interest rates on farm and home mortgages; reduce factory working hours; pass minimum wage laws; obtain all taxes from corporations from high rates on large incomes, inheritance and gift taxes. The book contains an interesting chapter on other theories of the business cycle and a concluding chapter on forecasting business conditions, which is too general to be of value to the business man.

Reviewed by F. D. Newbury.